

**From:** [Chang, Lisa](#)  
**To:** [Fournier, Tony](#)  
**Subject:** RE: Cost principles?  
**Date:** Wednesday, July 01, 2015 1:27:00 PM  
**Importance:** High

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Hi Tony,

Thanks so much for your time and thoughtful response. I do have 2 follow-up questions:

- 1) The UGG refers to 2 distinct types of activities – “public relations” (as in the paragraph you quote) and “advertising.” If we could definitively construe the subawardee’s activities as “public relations,” as opposed to “advertising,” then I completely agree with you that Swinomish’s proposed work is not consistent with the UGG language regarding public relations. However, if the proposed work could be considered “advertising,” the UGG does not require that the advertising be to support favorable relationships and broad understanding of the public at large. Advertising can simply be to meet the requirements of the Federal award. **I don’t know that we could definitively say that what Swinomish is proposing is clearly PR vs. advertising, and therefore I’m concerned that we can’t use the UGG as a basis for holding that NWIFC should disallow those costs.**
- 2) The training language you cite regarding lack of privity with the subawardee makes me think that our “substantial involvement” T&C, which allows us to “review and approve” outputs and deliverables of the award, does NOT allow us to similarly “review and approve” outputs and deliverables of subawards. Would you agree with that understanding?

Thanks for everything, but I’m feeling like I’m on squishy ground...

Lisa

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**From:** Fournier, Tony  
**Sent:** Wednesday, July 01, 2015 9:23 AM  
**To:** Chang, Lisa  
**Subject:** RE: Cost principles?

Hi Lisa,

Let me first frame my response from a statement in our advanced cost principles training: “Because the pass through entity is the direct recipient of the federal funds, it is accountable to the federal awarding agency, even for funds it subawards. Therefore, while the federal agency awards the funds and monitors the pass-through entity, the pass-through entity subawards the funds and monitors its subrecipients’ use of those funds to ensure that project objectives and compliance requirements are met and funds are expended appropriately.”

Since we do not have contractual privity with a primary recipient’s subrecipient, we cannot necessarily disallow a cost directly from the subawardee; however, we can hold the primary

recipient accountable to the program objectives, terms and conditions, and expenditures related to carrying out those objectives. In other words, if we determine that a particular activity and/or expense is unallowable, we can recover the costs directly from the primary recipient.

Objectively, I think you can reasonably interpret “required” to include all aspects of the approved federal award, i.e., approved workplan activities, related expenditures, specific terms and conditions, etc. The main thing is to keep the main thing the main thing...we award federal funds to carry out the objectives of a program for the benefit of the “public”.

Again, in relationship to this particular media campaign, I think you need to pay close attention to the UGG language:

(c) The term “public relations” includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or *maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.*

I personally think their approach/messaging violates both the letter and intent of this principle.

***Tony Fournier***

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**From:** Chang, Lisa

**Sent:** Tuesday, June 30, 2015 2:35 PM

**To:** Fournier, Tony

**Subject:** Cost principles?

Hi Tony,

Following up on our conversation about our authority to intervene on an NWIFC subaward, you had mentioned something about looking at the cost principles, specifically regarding advertising.

I looked at that section of the omniscircular (pasted below), and have a question.

In the yellow-highlighted sections below, what does it mean “required by the Federal award” – does it mean that if an output is identified in the approved award or subaward, then that output becomes a “requirement of the Federal award”? Or, does a requirement of the Federal award refer only to the award T&C?

Can you please clarify? Because if it is the latter, then I think the costs for Swinomish's media campaign may not be allowable under the cost principles.

Lisa

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**§200.421 Advertising and public relations.**

(a) The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

(b) The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required by the non-Federal entity for performance of a Federal award (See also §200.463 Recruiting costs);

(2) The procurement of goods and services for the performance of a Federal award;

(3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or

(4) Program outreach and other specific purposes necessary to meet the requirements of the Federal award.

(c) The term "public relations" includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

(d) The only allowable public relations costs are:

(1) Costs specifically required by the Federal award;

(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award); or

(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

(e) Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;

(2) Costs of meetings, conventions, convocations, or other events related to other activities of the entity (see also §200.432 Conferences), including:

(i) Costs of displays, demonstrations, and exhibits;

(ii) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

(iii) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the non-Federal entity.